



**U. S. Environmental Protection Agency  
OFFICE OF INSPECTOR GENERAL  
Nikki L. Tinsley, Inspector General**

## *Quarterly Report*

Fourth Quarter - Fiscal Year 2002

July 1 - September 30,

2002

### **Open Market Trading Program for Air Emissions Needs Strengthening (Report 2002-P-00019)**

Our review of the two states with the most active air emissions Open Market Trading (OMT) programs in the U.S. found that several factors hindered the two programs in achieving their goals. Chief among these were the lack of safeguards, use of data of uncertain quality, and limited regulatory agency oversight of trading activities. As a result, many sources have opted not to participate, and the problems in one state (New Jersey) have become so significant that it has announced its intention to terminate its program.

EPA's OMT program was created to provide sources of air pollution greater flexibility in meeting Clean Air Act requirements by allowing them to use emissions credits generated from past emission reduction efforts to meet clean air requirements. Of the three states with OMT programs, we reviewed the two most active states (Michigan and New Jersey).

Both states' OMT programs lacked key safeguards primarily because EPA's basis for proposing approval of these programs was non-binding guidance instead of regulations. EPA Regions did not require the two states to implement all the safeguards (such as the opportunity for public comment) that EPA's guidance indicates are needed to minimize the risk of invalid and questionable credits. Also,

while accurate, reliable, and complete emissions data are essential to the success of

OMT programs, the lack of approved quantification protocols (which provide the details necessary to calculate emission credits) and the use of questionable emissions measurement methods contributed to the use of data of uncertain quality.

EPA performed little compliance assurance, enforcement, or other oversight activities of the two OMT programs. However, due to our evaluation of specific trades, EPA took action against the emissions trading activities of one source and New Jersey took action against another. EPA reached a settlement in 2002 wherein one source agreed to retire about 18,600 tons of pollutants it had generated as OMT credits – credits valued at over \$16 million. At the other source, New Jersey assessed and collected a \$140,000 fine in 2002 for improperly using OMT credits.

We recommended that EPA develop and propose Federal regulations for OMT programs; require the use of EPA or state approved quantification protocols prior to trades; and develop and require the use of a risk-based targeting approach for Federal and State compliance assurance, enforcement, and oversight of OMT trades.

### **EPA Needs to Improve Accuracy of Superfund Data Base**

**(Report 2002-P-00016)**

Over 40 percent of the site actions (activities) in EPA's Superfund data base were

inaccurate or not adequately supported. This data base  
– the Comprehensive Environmental

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Response, Compensation, and Liability Information System (CERCLIS) – is the official repository for all Superfund site data. As a result of the weaknesses noted, users of CERCLIS data did not have accurate and complete information regarding the status and activities of many Superfund sites, which can adversely impact planning and management.

bodies of untreated domestic, commercial, and industrial waste and wastewater. An estimated \$44.7 billion is needed nationwide for CSO abatement efforts, and the frequently high cost is a major barrier for many communities. Land availability, community opposition, and land ownership can complicate matters.

CERCLIS is used by EPA to track site activities, support financial statements and other reports, maintain an inventory of hazardous waste sites, and project dates and costs. However, we identified actions with inaccurate dates, as well as actions not supported by appropriate documentation or signature approvals. Also, the status codes in CERCLIS were often incorrect for the National Priority List (NPL), non-NPL, and archive field data elements. Further, we found inconsistent use of NPL and non-NPL status codes, active sites without any actions entered for at least 10 years, and frequent use of a non-descriptive status code.

Despite these barriers, states and communities have demonstrated numerous promising practices that could be used by others to improve operations and reduce costs. These promising practices included a variety of technical approaches and innovations, state grant programs, government cooperative efforts, public education initiatives, and neighborhood improvements. However, due to the varying amounts and types of data available, EPA needs to develop a central mechanism to disseminate this information to communities.

We recommended that EPA develop and implement a nationwide quality assurance process for CERCLIS data, and a process to review older sites that have not had any actions entered for a reasonable amount of time. We also recommended that EPA update policies and procedures.

Furthermore, while CSO discharges are a significant pollution source, eliminating them will not always ensure that water quality standards will be met. Sanitary sewer overflows, storm water, pollution from up or down stream sources, and concentrated animal feeding operations can also impair water bodies. As a result, EPA needs to take a leadership role in encouraging the use of watershed approaches to attain clean water.

**Promising Practices for Reducing Combined Sewer Overflows Identified  
(Report 2002-P-00012)**

Our review identified a number of promising practices implemented by various communities to reduce Combined Sewer Overflows (CSOs) that could be used by other communities.

**EPA Needs to Fully Implement  
Clinger-Cohen Act  
(Report 2002-P-00017)**

EPA's Chief Information Officer (CIO) has sufficient authority to shape and direct Information Resources Management activities. However, past CIOs had not provided the leadership needed to fully

CSOs are the total discharges into water

implement the changes required by the Clinger-Cohen Act.

EPA's new CIO recognizes the importance of the issues raised in this report and has begun taking aggressive steps to address the Act's fundamental components. Specifically, EPA has implemented a new Information Technology (IT) cost accounting system; established a Chief Technology Officer position; approved a new Information Resources Management Strategic Plan; and issued a formal policy on the IT Capital Investment Planning Control process.

Institutionalizing the structured, centralized controls and oversight processes envisioned

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by the Act will take additional resources. Senior program managers were using outdated and unauthorized IT acquisition practices. Also, the Agency was still developing its Enterprise Architecture Plan, as well as a formal management chain of command for IT investments. In addition, the Agency needs to expand its Capital Investment Planning Control process to include performance-based measurements for monitoring and evaluating IT projects.

Consequently, with regard to the fiscal 2002 budget, EPA's IT investments were not maximizing the efficiency of IT operations, nor resolving long-standing problems, such as integration of environmental data. EPA reported IT investments totaling more than \$449 million for the fiscal 2002 budget. Our review showed that EPA continued to spend millions on IT investments that appeared to be making minimal or insignificant progress.

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**Weaknesses in EPA Oversight of Department of Energy Superfund Cleanups Identified**  
*(Reports 2002-P-00014 and 2002-P-00013)*

We evaluated the effectiveness of EPA Region 4 oversight of cleanup actions at the

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Department of Energy's (DOE's) Savannah River and Oak Ridge nuclear facilities. These sites, respectively, have the second and fourth highest estimated Superfund cleanup costs of all DOE facilities.

For both locations, the Federal Facility Agreement between EPA, DOE, and the applicable state is generally consistent with Superfund statutes and regulations. In addition, cleanup remedies approved under the agreements generally comply with Superfund statutes, regulations, and other applicable requirements. However, we noted the following:

*Savannah River (Aiken, South Carolina)*

EPA needs to improve its oversight of DOE's implementation of cleanup actions. From

1996 through 2002, DOE discontinued evaluating or ranking Savannah River sites for potential risk to the environment and human health. Of the sites that received some type of remedial action, 80 percent were in the low risk category, and about 52 percent of estimated cleanup construction costs were for low risk sites. Greater attention should be placed on addressing sites that pose a high potential risk to the environment and human

health. In addition, there were several instances where cleanup actions had been delayed because of late EPA responses to DOE cleanup decision documents. Also, EPA

did not properly review and comment on the last official DOE five-year review on cleanup remedies. Further, EPA has not determined the total long-term estimated costs for Superfund cleanup actions at the site. In response to our recommendations, EPA agreed to improve oversight of DOE's prioritization of cleanup actions as well as DOE's five-year reviews and site evaluations, and allocate additional staff if available.

#### Oak Ridge (Oak Ridge, Tennessee)

Oversight could be improved by reviewing and evaluating studies conducted by Tennessee that identify potential contaminants that may not be accounted for in existing Federal Facility Agreement documents and DOE

cleanup actions. In 1999, the Tennessee Department of Health issued a series of reports that showed that, in some cases, levels of pollutants being released from Oak Ridge were substantially higher than previously acknowledged by the government. Neither DOE nor EPA had evaluated the impact the reports may have on current cleanup activities or decisions. We also noted problems regarding the funding levels for fiscal 2002 through 2004 work plans and milestones. EPA concurred with our recommendations to expedite completion of the review and comparison of potential contaminants identified in the state reports with past remedial investigation documents, and continues working with DOE to obtain a sufficient level of funding.

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#### **Additional Efforts Needed to Improve EPA's Oversight of Assistance Agreements** **(Report 2002-P-00018)**

An audit of EPA's overall oversight of assistance agreements found that weaknesses continue to exist. Without adequate oversight controls for assistance funds, which encompassed about \$4.5 billion of EPA's overall budget of \$7.8 billion budget in fiscal 2001, EPA and the public may not be receiving anticipated benefits from EPA-funded projects. Further, EPA's ability to achieve its environmental mission and goals through these assistance agreements is

limited, and assistance agreement funds may not be safeguarded against misuse.

Although EPA had developed corrective actions to improve oversight controls for assistance agreements, a number of reviews by the EPA OIG and others determined that oversight continued to be a weakness. EPA's corrective actions included developing post-award monitoring policies, establishing training requirements, and performing management effectiveness reviews. However, weaknesses continued to exist because EPA did not sufficiently prioritize assistance agreement oversight. Consequently, EPA did not ensure grant specialists and project officers effectively

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monitored agreements. Further, Senior Resource Officials (such as Deputy Assistant Administrators) did not fully meet their responsibilities as stewards of government resources, including ensuring adequate

controls over assistance agreement funds and compliance with policies.

To improve oversight of assistance agreements, we recommended that EPA improve policies, take more timely actions, require needed training, and clarify roles.

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### ***Innovative Tool Put On-line to Identify Cross-Agency Environmental Efforts***

To fully understand and resolve environmental challenges, we determined it was necessary to look beyond the boundaries of EPA, and

consider other sources of information, research, and innovative tools in the field of environmental protection.

To address this challenge, the EPA OIG developed an on-line Compendium of Federal Environmental Programs to identify the various federal agencies that participate in environmental protection. With the support of the President's Council on Integrity and Efficiency and other federal OIGs, we identified 29 federal agencies that collectively share responsibility for clean air, clean and safe water, and better waste management.

We organized our research into a web-based data base accessible from the EPA OIG's home page. To access the data base and accompanying narrative report, click "Compendium of Federal Environmental Programs" on our home page.

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